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EUROPEAN COMMISSION

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Proposal for a

**DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the mobilisation of the European Globalisation Adjustment Fund  
in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006  
between the European Parliament, the Council and the Commission  
on budgetary discipline and sound financial management (application EGF/2010/004  
PL/Wielkopolskie Automotive from Poland)**

## EXPLANATORY MEMORANDUM

Point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>1</sup> allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

The rules applicable to the contributions from the EGF are laid down in Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund<sup>2</sup>.

On 5 February 2010, Poland submitted application EGF/2010/004 PL/Wielkopolskie Automotive for a financial contribution from the EGF, following redundancies in two enterprises operating in the NACE Revision 2 Division 29 (manufacture of motor vehicles, trailers and semi-trailers)<sup>3</sup> in the NUTS II region Wielkopolskie (PL41) in Poland.

After a thorough examination of this application, the Commission has concluded in accordance with Article 10 of Regulation (EC) No 1927/2006 that the conditions for a financial contribution under this Regulation are met.

### SUMMARY OF THE APPLICATION AND ANALYSIS

<b>Key data:</b>	
EGF Reference no.	EGF/2010/004
Member State	Poland
Article 2	(b)
Enterprises concerned	SEWS Polska Sp. z o.o.; Leoni Autokabel Polska Sp. z o.o.
NUTS II region	Wielkopolskie (PL41)
NACE Revision 2 Division	29 (manufacture of motor vehicles, trailers and semi-trailers)
Reference period	1/3/2009 to 30/11/2009
Starting date for the personalised services	11/5/2009
Application date	5/2/2010
Redundancies during the reference period	1 104
Redundant workers targeted for support	590
Personalised services: budget in EUR	926 345
Expenditure for implementing EGF <sup>4</sup> : budget in EUR	47 620
% expenditure for implementing EGF	4,8
Total budget in EUR	973 965
EGF contribution EUR (65 %)	633 077

<sup>1</sup> OJ C 139, 14.6.2006, p. 1.

<sup>2</sup> OJ L 406 of 30.12.2006, p. 1.

<sup>3</sup> Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC regulations on specific statistical domains (OJ L 393 of 30.12.2006, p. 1).

<sup>4</sup> In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

1. The application was presented to the Commission on 5 February 2010 and supplemented by additional information up to 6 July 2010.
2. The application meets the conditions for deploying the EGF as set out in Article 2(b) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

**Link between the redundancies and major structural changes in world trade patterns due to globalisation or the global financial and economic crisis**

3. Poland argues that the redundancies in the automotive sector can be directly attributed to the global financial and economic crisis. It cites statistics showing that in 2008 and 2009 there were reductions in the number of registrations of new passenger cars in Europe by about 8 % and 6,6 % respectively.

As a significant part (ca. EUR 17,6 billion per year) of the Polish automotive industry production is exported, mainly within the EU, a drop in demand abroad has a strong impact on the manufacturing companies in Poland. As a result of the above-mentioned trend, in the first half of 2009 production of cars in Poland was only 48,7 % of the production in the corresponding period in 2008, and in the truck sector, production was only 27 % of the production in the corresponding period in 2008.

The economic and financial crisis caused a fall in sales and orders, not only for new cars but also for their components, thus reducing employment in many sub-contractors, and leading in some cases to their bankruptcy. At the same time, the scale of redundancies in the automobile manufacturers and their suppliers has been lesser than the decline in production, because employers are reluctant to dismiss workers, fearing that after the crisis they will have difficulty in re-recruiting highly qualified personnel. Polish entrepreneurs seek to minimise costs while protecting their employees, sending them on holidays and training during the period of reduced production, which allowed the preservation of work for a large part of their staff, but also allowed for a rapid increase in production when demand growth.

For less qualified workers, however, and particularly those on short-term contracts, the situation has been more difficult. Many employers have sought to cut costs by ceasing production temporarily and dismissing workers on short-term contracts. The use of temporary workers by automotive companies was caused by the seasonality of production and the emergence of short-term contracts. Nevertheless, because of the decline in world demand for automotive products, some of the Polish manufacturers were forced in addition to lay off some of their permanent employees.

As a result of the global crisis the number of persons employed in the private sector in Poland has decreased by 2,1 % (or by 118 000). However, the decrease in employment in the automotive industry has been more severe. At the end of the first half of 2009, the number of employees in the industry was 179 000, or about 16,4 % (or 35 000) less than in the same period in 2008. The automotive industry accounted for 29,7 % of the number of workers who lost their jobs in the first half of 2009 in the private sector. This is in line with general observed trends, as shown, inter alia, in the *OECD Economic Outlook No. 86*, November 2009, that the economic cycle in the automotive industry is consistent with the cycle of the whole economy, but has a greater amplitude of fluctuation than the economy as a whole or the whole

manufacturing sector. Some of the manufacturers of car components are considering the possibility of transferring their production to African countries due to the loss of competitive advantage by Poland, which will result in a further reduction in employment in the automotive industry.

With respect to the firms covered by the application, the SEWS Polska Production Plant consolidated its production in its plant in Leszno (also in Poland), and in Romania. Leoni Autokabel Polska moved its activities out of the EU to Ukraine.

#### **Demonstration of the number of redundancies and compliance with the criteria of Article 2(b)**

4. Poland submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a nine-month period in a NACE Revision 2 Division in one region or two contiguous regions at NUTS II level.
5. The application cites 1 596 redundancies in the NACE Revision 2 Division 29 (manufacture of motor vehicles, trailers and semi-trailers) in the NUTS II region of Wielkopolskie (PL41) during the nine-month reference period from 1 March 2009 to 30 November 2009. All of the redundancies were calculated in accordance with the second indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

#### **Explanation of the unforeseen nature of those redundancies**

6. The Polish authorities argue that the global economic and financial crisis had not been foreseen, and had had a severe impact on the automotive industry, as described above.

#### **Identification of the dismissing enterprises and workers targeted for assistance**

7. The application cites a total of 1 104 redundancies, in two unrelated firms in the NACE Revision 2 Division 29 in Wielkopolskie during the reference period:

<b>Firm</b>	<b>Redundancies</b>
SEWS Polska Sp. z o.o.	474
Leoni Autokabel Polska Sp. z o.o.	630
<i>Total</i>	<i>1 104</i>

Poland estimates that 590 of the redundant workers will receive assistance from the EGF. The remaining workers are expected to find employment through their own initiative without requiring assistance from the EGF, or to leave the labour market.

8. The break-down of the targeted workers is as follows :

<b>Category</b>	<b>Number</b>	<b>Percent</b>
Men	145	24,6
Women	445	75,4
EU citizens	415	100,0
Non EU citizens	0	0,0
15 to 24 years old	146	24,7
25 to 54 years old	420	71,2

Over 54 years old	24	4,1
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9. In terms of professional categories, the break-down is as follows :

Category	Number	Percent
Metal, machinery and related trades workers	329	55,8
Machine operators and assemblers	187	31,7
Office clerks	20	3,4
Physical and engineering science associate professionals	16	2,7
Physical, mathematical and engineering science professionals	12	2,0
Other professionals	12	2,0
Other craft and related trades workers	7	1,2
Labourers in mining, construction, manufacturing and transport	5	0,8
Drivers and mobile plant operators	1	0,2
Sales and services elementary occupations	1	0,2

10. In accordance with Article 7 of Regulation (EC) No 1927/2006, Poland has confirmed that a policy of equality between women and men as well as non-discrimination has been applied, and will continue to apply, during the various stages of the implementation of and, in particular, in access to the EGF.

#### **Description of the territory concerned and its authorities and stakeholders**

11. The territory concerned is Wielkopolskie *voivodship* (province) (NUTS II – PL41 Wielkopolskie); and in particular the *powiats* (county/district) of Ostrzeszów (in NUTS III – PL416 sub-region of Kalisz), Leszno and Rawicz (in NUTS III – PL417 sub-region of Leszno).

Wielkopolskie province is second in area and third in population among Poland's sixteen provinces, with an area of 29 826 square kilometres and a population of close to 3,4 million. Its capital city is Poznań. The three affected districts are all in the southern part of the province.

Ostrzeszów district, with an area of 772 km<sup>2</sup>, has a population of 54 490 (in 2006); Leszno district, with an area of 805 km<sup>2</sup>, has a population of 50 024 (in 2006); Rawicz district, with an area of 553 km<sup>2</sup>, has a population of 59 375 (in 2006).

12. The principal stakeholders include the provincial and local governments which are involved in the assistance to the redundant workers, through the Provincial Labour Office in Poznań and the Labour Offices of the districts in which the firms are located. Also involved in providing assistance to the redundant workers are the Tax Office, the Department of Promotion and Development of the Commune (gmina), the Social Insurance Institution (ZUS), and the National Labour Inspectorate (PIP).
13. The social partners involved in the implementation of the EGF are the Enterprise Organization of the *Solidarność* (Solidarity) Trade Union in the company SEWS Polska, as well as the Provincial Employment Board in Poznań, including:
- Employers' organizations: the Wielkopolska Chamber of Crafts in Poznań; the Polish Confederation of Private Employers Lewiatan; Wielkopolski Union of

Private Employers; the Chamber of Crafts and Entrepreneurship in Kalisz; the Confederation of Polish Employers; the Polish Chamber of Commerce of Importers, Exporters and Cooperation; the Polish Confederation of Private Employers Lewiatan; Wielkopolska Federation of Employers.

- Trade unions: *Solidarność* Trade Union, Region of Wielkopolska; the agriculture Trade Union *Samoobrona* (Self-Defence); *Solidarność* Trade Union, Region of Southern Wielkopolska; the All-Poland Alliance of Trade Unions; and the Forum for Trade Unions.

#### **Expected impact of the redundancies as regards local, regional or national employment**

14. Poland expects the impact of the redundancies to be locally significant. The redundancies contributed to an increase in unemployment in the districts in question. The redundant workers from the two firms cited in the application made up 9 % of the total number of those unemployed in Leszno district, 14,8 % in Rawicz district, 33,4 % in Ostrzeszów district, and 1,2 % of the total number of the unemployed in the province at the end of December 2009.

The redundant workers accounted for 0,7 % of total employment in the district of Leszno, 1,8 % in the district of Rawicz, 3,2 % in the district of Ostrzeszów, and 0,1 % of the total number of those employed in the province at the end of December 2009. In the affected districts of the province there was a considerable increase in the numbers unemployed over the year from December 2008 to December 2009: by 57,4 % in Leszno district, 56,2 % in Rawicz district, and as much as 87,1 % in Ostrzeszów district. These increases were higher than the average for the entire province (46,1 %).

#### **Co-ordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds**

15. Poland proposes a package of five separate but coordinated measures in favour of the redundant workers. These activities aim to increase the activity and mobility of redundant workers in the labour market, promote entrepreneurship amongst the workers and improve their chances of finding employment, inter alia, by adapting the qualifications of those made redundant to the needs of the labour market. The measures are as follows:
16. Tailor-made training and retraining: This measure consists in diagnosing the training needs of job seekers, covering the costs of training (including postgraduate studies), travel expenses or the cost of accommodation and meals offered during the training, covering the costs of medical examinations or psychological exams enabling to obtain certificates, diplomas, certificates, certain professional qualifications or professional titles, and the cost of obtaining the necessary licences to perform the job. It is estimated that 406 workers are to benefit from this measure, at a cost of EUR 645 per worker.
17. Entrepreneurship promotion and aid for self-employment: This measure consists in one-off grants for start-ups, including the costs of legal assistance, consultation and advice on entering into business. The amount of support is limited to no more than six times the amount of average salary and, where activity is undertaken under the

terms of the social cooperatives, the amount of funds allocated to the unemployed may not exceed four times the average salary for a founder of member cooperatives, and three times the average salary for a member joining the social cooperative after its formation. 97 workers are estimated to benefit from this measure, at a cost of EUR 4 895 per worker.

18. Training allowances: For an estimated 27 workers allowances of a maximum 120 % of the rate of unemployment benefit (ca. 900 PLN monthly) will be paid while the workers are engaged in training activities. The estimated cost is EUR 750 per worker.
19. Equipment and refitting of workplace: For employers who employ a redundant worker referred to him/her by the district labour office, the costs of equipment and refitting the workplace for that person are eligible. The amount must be specified in the contract between the employer and the district labour office, but may not exceed six times the average monthly salary. An estimated 42 workers will benefit from this measure at a cost of EUR 3 735 per worker.
20. On the job training: For redundant workers referred by the PLO, an allowance equivalent to 120 % of the unemployment benefit, for a maximum period of 12 months during on-the-job training may be paid as a training allowance, as specified in the contract with the employer. The estimated cost is EUR 1 140 per worker, and it is estimated that 11 workers will benefit from this measure.
21. The expenditure for implementing EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory, management and control activities as well as information and publicity.
22. The personalised services presented by the Polish authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Polish authorities estimate the total costs of these services at EUR 926 345 and the expenditure for implementing EGF at EUR 47 620 (=4,9 % of the total amount). The total contribution requested from the EGF is EUR 633 077 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national co-financing) (in EUR)
<b>Personalised services</b> (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Training and re-training	406	645	261 870
Aid for self-employment	97	4 895	474 815
Training allowances	27	750	20 250
Equipment and refitting of workplaces	42	3 735	156 870



On-the-job training	11	1 140	12 540
<b>Sub total personalised services</b>			<b>926 345</b>
<b>Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)</b>			
Preparatory activities			2 300
Management			28 200
Information and publicity			15 120
Control activities			2 000
<b>Sub total expenditure for implementing EGF</b>			<b>47 620</b>
<b>Total estimated costs</b>			<b>973 965</b>
<b><i>EGF contribution (65 % of total costs)</i></b>			<b><i>633 077</i></b>

23. Poland confirms that the measures described above are complementary with actions funded by the Structural Funds. Poland has put in place the necessary mechanisms to ensure financial separation of actions carried out by the EGF and the structural funds as well as to eliminate any risk of double funding.

**Date(s) on which the personalised services to the affected workers were started or are planned to start**

24. Poland started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 11 May 2009. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF.

**Procedures for consulting the social partners**

25. At the meeting of the provincial Commission for Social Dialogue in Poznań on 29 December 2009, the Monitoring Team for the labour market and economic situation in Wielkopolskie discussed the possibility of support from the EGF for the workers made redundant in the three affected districts.

At the meeting of the provincial Employment Board in Poznan on 17 February 2010 the purpose of the EGF was discussed, along with the possibility of its intervention in Wielkopolskie and forms of support as provided for in the application for the financial contribution from the EGF in favour of the workers made redundant by SEWS Polska and Leoni Autokabel Polska.

**Information on actions that are mandatory by virtue of national law or pursuant to collective agreements**

26. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Polish authorities in their application:

- confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements;
- demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors;
- confirmed that the eligible actions referred to under points 15 to 24 above do not receive assistance from other Community financial instruments.

### **Management and control systems**

27. Poland has notified the Commission that the financial contribution will be managed and controlled by the same bodies that manage and control the European Social Fund (ESF) funding in Poland.

### **Financing**

28. On the basis of the application from Poland, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 633 077, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Poland.
29. Considering the maximum possible amount of a financial contribution from the EGF under Article 10(1) of Regulation (EC) No 1927/2006, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred above, to be allocated under heading 1a of the financial framework.
30. The proposed amount of financial contribution will leave more than 25 % of the maximum annual amount earmarked for the EGF available for allocations during the last four months of the year, as required by Article 12(6) of Regulation (EC) No 1927/2006.
31. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue procedure, as required by Point 28 of the Inter-institutional Agreement of 17 May 2006, with a view to securing the agreement of the two arms of the budgetary authority on the need to use the EGF and the amount required. The Commission invites the first of the two arms of the budgetary authority that reaches agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In case of disagreement by either of the two arms of the budgetary authority, a formal dialogue meeting will be convened.
32. The Commission presents separately a transfer request in order to enter in the 2010 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

### **Source of payment appropriations**

33. In the current state of implementation, it is foreseeable that the payment appropriations available in 2010 under the budget line 01.0404 "Competitiveness and

Innovation Framework Programme - Entrepreneurship and innovation programme" will not be fully used this year.

34. Indeed, this line covers expenditure related to the implementation of the financial instrument of this programme, the main objective of which is to facilitate the access of SMEs to finance. Some time lag exists between transfers to the trust accounts managed by the European Investment Fund and disbursement to the beneficiaries. The financial crisis has a major effect on the forecasts in terms of disbursements for 2010. As a result, in order to avoid excessive balances on the trust accounts, the methodology for calculation of payment appropriations has been reviewed, taking into account the expected disbursements. The amount of EUR 633 077 can therefore be made available for transfer.

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PL/Wielkopolskie Automotive from Poland)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>5</sup>, and in particular point 28 thereof,

Having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund<sup>6</sup>, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission<sup>7</sup>,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) was established to provide additional support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation and to assist them with their reintegration into the labour market.
- (2) The scope of the EGF was broadened for applications submitted from 1 May 2009 to include support for workers made redundant as a direct result of the global financial and economic crisis.
- (3) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (4) Poland submitted an application to mobilise the EGF in respect of redundancies in two enterprises operating in NACE Revision 2 Division 29 (manufacture of motor vehicles, trailers and semi-trailers) in the NUTS II region of Wielkopolskie (PL41) on 5 February 2010 and supplemented it by additional information up to 6 July 2010. This application complies with the requirements for determining the financial

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<sup>5</sup> OJ C 139, 14.6.2006, p. 1.

<sup>6</sup> OJ L 406, 30.12.2006, p. 1.

<sup>7</sup> OJ C [...], [...], p. [...].

contributions as laid down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 633 077.

- (5) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Poland.

HAVE DECIDED AS FOLLOWS:

*Article 1*

For the general budget of the European Union for the financial year 2010, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 633 077 in commitment and payment appropriations.

*Article 2*

This Decision shall be published in the *Official Journal of the European Union*.

Done at,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*